

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1743 – SB 1898

March 16, 2022

SUMMARY OF BILL: Reduces the state sales and use tax rate from seven percent to six percent.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$1,666,228,600
/FY22-23 and Subsequent Years

Increase Local Revenue – \$23,615,400/FY22-23 and Subsequent Years

Assumptions:

- Public Chapter 856 of 2002 increased the state sales tax rate from 6.0 percent to 7.0 percent and required all revenue to be allocated exclusively to the General Fund.
- This legislation reduces the state sales tax rate from 7.0 percent to 6.0 percent by removing the increase enacted by Public Chapter 856 beginning in FY22-23.
- The Department of Revenue (DOR) reported \$1,472,450,745 in FY20-21 collections of state sales taxes as a result of such increase in the state sales tax rate.
- According to Fiscal Review Committee estimates, growth rates for state sales and use taxes are estimated to be 10.96 percent in FY21-22 and 5.0 percent in FY22-23.
- The recurring decrease in state revenue is estimated to be \$1,715,522,914 $(\$1,472,450,745 \times 1.1096 \times 1.05)$ in FY22-23 and subsequent years.
- Fifty percent of tax savings, or \$857,761,457 $(\$1,715,522,914 \times 50\%)$, will be spent in the economy on other sales-taxable goods and services.
- A state sales tax rate of 6.0 percent; an average local sales tax rate of 2.5 percent; the effective rate of apportionment to local government pursuant to the state shared allocation will be 4.219 percent.
- The increase in state sales tax collections is estimated to be \$49,294,350 $[(\$857,761,457 \times 6\%) - (\$857,761,457 \times 6\% \times 4.219\%)]$ in FY22-23 and subsequent years.
- The total recurring increase in local sales tax collections is estimated to be \$23,615,374 $[(\$857,761,457 \times 2.5\%) + (\$857,761,457 \times 6\% \times 4.219\%)]$ in FY22-23 and subsequent years.
- The net recurring decrease in state revenue as a result of the proposed legislation is estimated to be \$1,666,228,564 $(\$1,715,522,914 - \$49,294,350)$ in FY22-23 and subsequent years.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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